Loch Lomond and The Trossachs National Park Authority

External Audit Report to the Board, Accountable Officer and the Auditor General for Scotland for the financial year ended 31 March 2020

DRAFT REPORT – 23 August 2020

John Boyd
Engagement Leader

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Engagement In-Charge

Our audit at a glance

We received the complete draft financial statements including the Performance Report, Accountability Report and Governance Statement within the timescales we agreed.
Working papers were provided to support the audit process and our queries were responded to, to allow the timely completion of audit work. This was greatly appreciated by the audit team as it allowed the audit to be delivered efficiently despite the challenges Covid-19 created with the need for remote delivery of the audit.

We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work. This final report to the Board, Accountable Officer and the Auditor General for Scotland concludes our work.

Significant audit risks were:
management override of controls; the risk of fraud in expenditure recognition as set out in Financial Reporting Council's (FRC) Practice Note 10; the valuation of property, plant and equipment; and, the valuation of defined benefit pension scheme liabilities. An additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020.

An audit underpinned by quality and adding value to you

The Accountability Report is in line with our understanding of Loch Lomond and the Trossachs National Park Authority ("the Authority") and in particular their vision and strategic priorities. The Governance Statement, included within the Accountability Report, outlines the governance framework.
The Remuneration and Staff report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000, and directions thereunder. The disclosures in the Remuneration and Staff report are consistent with underlying payroll records.

We expect to issue an unmodified audit opinion on the annual report and accounts. Our audit opinion includes an emphasis of matter paragraph in relation to the material uncertainty over the valuation of land and buildings arising as a result of Covid and the forecasted economic downturn.

Materiality was set at £144,000 for 2019/20. This was calculated using the materiality benchmark of 2% as set out in our audit plan. We updated our materiality calculation based on the unaudited financial statements for 2019/20.

Adding value through our external audit work

First and foremost our objective is to ensure we deliver a quality external audit which fully complies with International Standards on Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016). By ensuring our audit is efficient and effective, underpinned by our quality arrangements, gives you assurance over our opinion.

Through this Annual Report we seek to provide insight and commentary over certain aspects of the Authority's arrangements, sharing relevant practices with the Audit and Risk Committee and Management.

We have continued to build on our working relationship with management and our understanding of the Authority as an organisation. Despite the challenges of working remotely during the Covid-19 pandemic the audit was undertaken within agreed timelines. We were able to get the assurances required and complete our testing to conclude our audit.

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Introduction

Reporting

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2020.

Our work has been undertaken in accordance with International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

Our report is addressed to the Accountable Officer for Loch Lomond and the Trossachs National Park ("the Authority"). In addition, in accordance with our reporting responsibilities the report is jointly addressed to the Auditor General for Scotland.

Once the accounts have been laid before parliament, the finalised audit report will be made publicly available on the Audit Scotland website (www.audit-scotland.gov.uk)

We would like to thank the Authority's finance team for an effective year-end audit process and all their support and assistance throughout the audit process.

Audit status as at 26 August 2020

Our audit procedures of the 2019/20 financial statements are substantially complete subject to the following audit procedures:

- Finalisation of defined benefit pension schemes following Audit Scotland assurances
- Finalisation of non-government capital funding
- Completion of final disclosure check of the financial statements
- Subsequent events (up to the date of signing)
- Final engagement leader review
- Management and those charged with governance representations

Structure of this report

As set out in our Audit Plan presented to the Audit and Risk Committee in draft in November 2019 and finalised on 28 February 2020, we consider in accordance with the Audit Scotland Code of Practice that the Authority meets the smaller body definition. Therefore full wider scope is not considered relevant.

However, as required in the Code of Audit Practice our report concludes on our audit of the annual report and accounts and certain aspects of the Authority's arrangements as follows:

Financial statements including the Performance Report and Accountability Report (including governance statement) – Section 1

Disclosures in the governance statement and financial sustainability of the Authority – Section 2 and 3

Covid-19

As a result of the Covid-19 pandemic we considered whether an additional financial statement audit risk was required. We have recognised a further financial statement risk in relation to Covid-19. Further details on the risk identified and our response and conclusion to the risks are included within the Responding to Significant Risks section of the report.

Our opinion

For the financial year ended 31 March 2020 we [plan to] issue an **unmodified audit opinion**

- True and fair view of the financial statements
- Regularity – expenditure has been incurred in accordance with the purpose of the Authority
- Other prescribed matters (which include the audited information in the remuneration report)

Emphasis of matter – property valuation

We draw attention to the Authority's annual report and accounts Note 1 to the financial statements, which describes the basis for valuing land, buildings (including dwellings). Management engaged an expert to value their land and buildings portfolio where there had been significant capital works or indication of impairment. The expert's valuation included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to management's valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Materiality

Our audit approach was set out in our audit plan presented to the Audit and Risk Committee in November 2020 and finalised in February 2020. We updated our materiality calculation based on the unaudited financial statements for 2019/20. Overall materiality has been set at £192,000 approximately 2% of gross expenditure and performance materiality is set at £144,000, 75% of materiality. Our planned approach has not changed from that set out in our plan.

We report to management any difference identified over £9,600 which has been set at 5% of overall materiality. Below this threshold the adjustment is considered trivial.

Lastly we set a lower materiality level in respect of the remuneration report, given the interest to the users of the accounts. This was set at £2,500, linked to the bandings used.

Audit opinion

We are pleased to report that for the financial year ended 31 March 2020 we [plan to] issue an **unmodified audit opinion**.

- That the financial statements represent a true and fair view of the organisation for the year to 31 March 2020 and at the date of the statement of financial position
- Regularity – expenditure has been incurred in accordance with the purpose of the Authority
- Other prescribed matters (which include the audited information in the remuneration report)

Internal control environment

During the year we sought to understand the Authority's overall control environment (design) as related to the financial statements. In particular, we have:

- Considered procedures and controls around related parties, journal entries and other key entity level controls.
- Performed walkthrough procedures of key financial processes including income and expenditure recognition, journal postings, payroll and property, plant and equipment valuations.

Our work over controls is limited to our ISA requirements in understanding an entities control environment. Our audit is not controls based and we do not place reliance on controls operating effectively as our audit is fully substantive in nature. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Internal Audit

As set out in our external audit plan our audit approach is to comply with the ISA's and we do not place formal reliance on the work of West Dunbartonshire Council, the Authority's internal audit provider during 2019/20. We have reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach. Internal Audit concluded "substantially effective arrangements are in place in relation to the Park Authority's systems of governance, risk management and internal control".

The findings of internal audit are consistent with our knowledge and experience of the Authority. From our review we are satisfied that there were no areas arising from the work of internal audit that would impact on our audit opinion or require specific disclosure in the annual governance statement. We have no concerns that Internal Audit did not have sufficient capacity and capability to provide the internal audit service to the Authority.

Going forward internal audit services will be provided by Audit Glasgow who have been appointed the Authority's internal auditors from 2020/21.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in expenditure recognition (as set out in FRC Practice Note 10)	Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. We therefore focus on non-pay expenditure. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.

Work completed

- Walkthroughs of the controls and procedures over non-pay expenditure.
- Performed substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement
- Testing post year end bank statements and review of minutes to identify any potential unrecorded liabilities
- Reviewing any accruals and deferred income around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimate

Our conclusion

Based on our testing we conclude:

- We did not identify any exceptions in our cut-off testing of year end expenditure.
- We did not identify any exceptions in the completeness and accuracy of accruals, deferred income or provisions balances at the year end.
- Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of the Authority (regularity)

Risk area	Identified audit risks at planning
Management override of controls	As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement.

Work completed

- Considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- Reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2020 and retrospective review of those estimates as at 31 March 2019.
- Journals testing including:
    - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
    - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;
    - Considering areas of significant judgement or estimation for indication of management bias including valuation of land and buildings and actuarial assumptions around the local government pension scheme obligations; and
    - Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.

Our conclusion

Based on our testing we conclude:

- There was no evidence of management override in our testing of controls.
- The Authority's financial statements do not include critical estimates and judgements including actuarial assumptions used in the valuation of defined benefit pension scheme net liabilities and the valuation of land and buildings. We did not identify any indication of management bias in these estimates.
- We did not identify any unusual or significant transactions throughout the financial year or during the financial close period which were out with the ordinary operations of the Authority.

[subject to final engagement leader review and Audit Scotland return]

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Risk area	Identified audit risks at planning
Valuation of property, plant and equipment	As at 31 March 2019, the authority held property, plant and equipment of over £10 million. Assets of short useful economic lives (such as furniture and fittings and IT hardware) are held at depreciated historic cost as a proxy for current value. This approach is consistent with the FReM and given valuations are less subjective, not considered to be of significant risk of material misstatement. Land and buildings (including leasehold buildings) are held at their current value, based on a valuation of their current value. In 2020 the Authority applied indices to the carrying value of land and building and engaged Rydens LLP to provide a formal valuation of items of land and buildings where it was anticipated there would be a material change in valuation due to capital works completed. In accordance with the FReM and IAS 16, the valuation of these assets remains a critical area of estimation and judgement within the financial statements.

Work completed

- Walkthrough of the controls and procedures over the valuation of land and buildings;
- Documented our understanding of the arrangements in place at the Board for ensuring the carrying value of land and buildings remains appropriate and in accordance with IAS 16;
- Challenged the underlying assumptions continued within the valuation of land and buildings and the reasonableness of these including the suitability of any indices used in the valuation;
- Critically assessed the processes in place to support the valuers assessment of potential impairment of PPE and considering if there are any indications of impairment of PPE not recognised by the Authority;
- Tested the underlying data supporting the valuation to ensure these are consistent with the Board's underlying records
- Agreed the valuation agreed recognised in the accounts to the valuers report and that indexation applied

Our conclusion

Based on our testing we conclude:

- Property, plant and equipment has been valued in accordance with IFRS 16 and the FReM.
- The assumptions adopted by Management and the valuers are reasonable and we have not identified any issues with the completeness or accuracy of the underlying data used in the valuation.
- We have agreed the revaluation to the independent revaluation report and confirmed through testing a sample of revaluation entries, that these have been appropriately recognised in the financial statements.

The Royal Institute of Chartered Surveyors (RICS) have issued a valuation practice note regarding material uncertainties in valuations as a result of impacts to the market caused by Covid-19. The RICS Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted. Due to the impact of Covid-19 on markets, including reduced level of data points to support valuations, the valuers have reported their valuation advice on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global Standards. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation advice than would normally be the case. The Authority have updated the accounts to disclose the material uncertainty within note 1 (Accounting policies). We have included an emphasis of matter paragraph within our independent audit report to highlight the matter to the reader of the accounts. Our audit opinion is not modified in respect of this matter.

[subject to final engagement leader review]

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Risk area	Identified audit risks at planning
Valuation of defined benefit pension scheme liabilities	The Authority participates in the Strathclyde Pension Fund, a local government pension scheme. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, the Authority is required to recognise its share of the scheme assets and liabilities on the statement of financial position. As at 31 March 2019 the Authority had pension fund liabilities of £4.9 million. Hymans Robertson UK LLP provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme could be materially misstated within the financial statements.

Work completed

- Assessed the adequacy of the design of the controls and procedures over the valuation of pension scheme liabilities, including information and instructions provided to the pension fund and actuary.
- Developed an understanding of the arrangements in place at the Authority for reviewing the assumptions adopted by the actuary and suitability of these for the authority.
- We challenged the suitability and reasonableness of the underlying assumptions adopted by the actuary in arriving at the defined benefit pension scheme liability, including ensuring underlying data used is appropriate in informing the valuation.
- We tested the underlying data supporting the valuation to ensure these are consistent with the Authority's underlying records.

Our conclusion

Based on our testing we conclude:

- Using the work of PriceWaterhousCoopers (PwC) central review of actuarial assumptions, we are satisfied that the assumptions adopted by the Authority were reasonable and in line with acceptable range of assumptions;
- The underlying data to support the actuarial valuation appears complete and accurate
- The draft defined pension scheme liability included an allowance for the estimated impact that the "McCloud/Sargeant" legal case would have on scheme obligations. In June 2020, there was increased certainty surrounding the actual settlement approach which was likely to result in future obligations being less than originally estimated. As a result this represented more accurate information of the value of the obligations as at 31 March 2020 and therefore was required to be included in the accounts as an adjusting post balance sheet event. Management obtained an updated actuarial valuation which reduced the defined benefit obligations by £202,000 as at 31 March 2020 and the adjustment is shown in appendix 1.

[Subject to final engagement leader review and pension fund auditor assurance from Audit Scotland]

Risk area	Identified audit risks at planning
Covid-19	The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and restrict the evidence we can obtain through physical observation; • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates, including pension estimates; • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Work completed

- Worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations;
- Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- Evaluated whether sufficient audit evidence could be obtained through remote technology;
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as recovery of receivable balances; and
- Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our conclusion

Based on our testing we conclude:

- Covid-19 and remote working did not restrict the Authority's ability to prepare the financial statements or restrict the audit evidence required to complete the audit.
- Management's assumptions underpinning financial forecasts and the going concern assessment have adequately considered the potential impact of Covid-19.
- We have not identified any significant impact on the Authority's debtor recovery, although acknowledge that the majority of these are with other public bodies
- The impact of COVID-19 has resulted in a material uncertainty surrounding the valuation of property, plant and equipment (see Valuation of Property, plant and equipment significant risk)
- During the audit we raised a disclosure adjustment for management to recognise the impact of Covid-19 within the governance statement and other sections of the annual report and accounts commentary on Covid and the impact on the governance arrangements (appendix 1).

[subject to final engagement leader review]

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed the narrative aspects of the annual accounts and report. We have considered the consistency of this narrative with our understanding of the Authority and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention. [subject to final disclosure review of financial statements]

Annual Report and Accounts include the performance report and accountability report (including remuneration and governance)

Performance Report

The accountability report is in line with our understanding of the Authority, in particular the vision and strategic priorities of the Authority.

The Accountable Officer's statement is clear and easy to read.

Risks are articulated and aligned to the Authority's risk register. There is an opportunity to potentially provide the reader greater understanding of how these risks are being managed in the accounts.

Overall Observations

The Authority provided the annual report and draft set of accounts in line with our audit timetable despite the increased challenges presented by the Covid-19 pandemic which required 100% remote working.

There is potentially an opportunity for the Authority to use more infographics, particularly around performance information to help with focus performance to the reader of the accounts.

Remuneration and Staff Report

Has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions thereunder.

The Executive and Non-Executive members reflected in the report have been correctly identified in accordance with the FReM. We raised some minor disclosure adjustments around the remuneration disclosures in year and these have been reflected in the updated draft accounts.

Governance Statement

As required by the FReM the Governance Statement is included in the Accountability Report and is in accordance with the FReM and SPFM.

There are no significant governance issues in the year which are required to be reported. We raised a disclosure adjustment for the Authority to include some further narrative on the impact of Covid-19 on governance arrangements in year (appendix 1).

The statement is supported by individual assurances to the Accountable Officer over key internal controls.

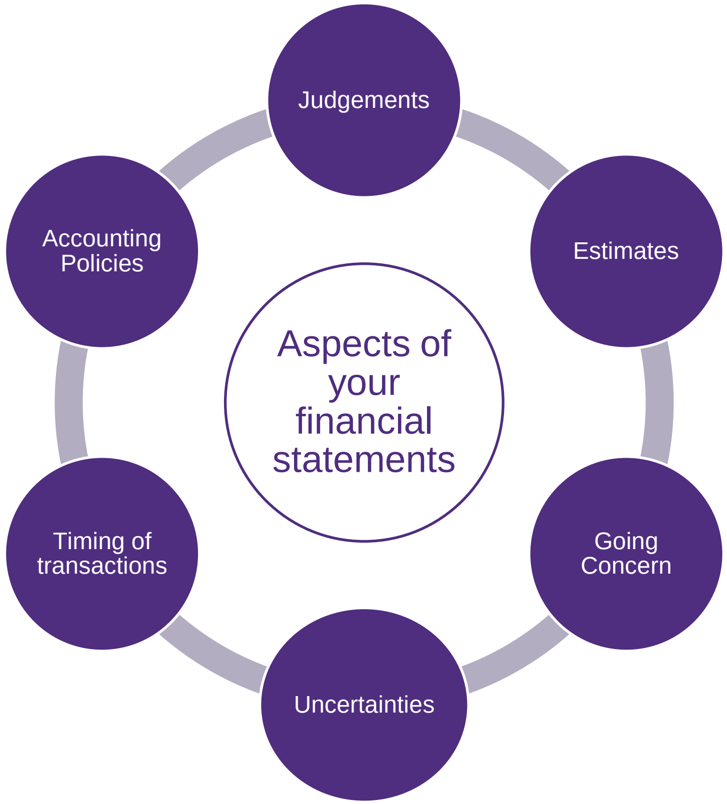
Key aspects of your financial statements

We consider key aspects of your financial statements in relation to management judgements in relation to management judgements including estimates and where management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised our conclusions below.

No new International Financial Reporting Standards (IFRS) have been adopted in the year as the adoption of IFRS 16 for public bodies has been delayed by a year as a result of the Covid-19 pandemic. The Accounting Policies followed by the Authority are in accordance with the FReM.

In relation to the audit risk of fraud in respect of expenditure recognition we tested the Authority's cut-off arrangements and identified no issues with the recognition period of transactions or in accruals which could indicate a higher risk of potential fraud.

There are no post balance sheet events or material legal uncertainties at year-end.



The Authority's accounts includes disclosure around critical estimates and judgements around the measurement of defined benefit pension obligations (actuarial assumptions) as well as the valuation of land and buildings. While we agree with Management's assessed areas of estimation and judgement, there is an opportunity to enhance the disclosure around these including sensitivity surrounding the estimate and potential impact. This is included within Appendix 1.

As noted under Responding to Significant Risks – valuation of Property, Plant and Equipment, the Authority has disclosed a material valuation uncertainty in relation to the valuation of land and buildings. We have included an emphasis of matter paragraph in relation to this disclosure.

The Authority as set out in the performance report and accounting policies that they consider themselves a going concern. They have an agreed budget with the Scottish Government for 2020/21 and three year financial forecasting. In addition the Scottish Government has communicated its continued support for the organisation The Authority considers that it will have sufficient resources to meet obligations as they fall due for a period of at least 12 months.

Recognising the Authority's statutory responsibilities and the relationship with the Authority and Scottish Government we agree with management and the Accountable Officers assessment that the Authority meets the going concern criteria.

The authority's financial arrangements

Financial Position 2019/20

During the year the Authority reported a small overspend against cash resource limits of £59,000 and an underspend against capital cash resources limits of £132,000. Against non-cash expenditure limits the Authority reported an underspend of £280,000 against departmental expenditure limits and £867,000 underspend against annual managed expenditure limits. This was in line with financial plan for the year. The outturn position included the Authority delivering efficiency savings of approximately £374,000, primarily through vacancy management and cost control through budget monitoring.

Covid-19 response

The Covid-19 pandemic has had substantial impact on the organisation's operations. The majority of the organisation's frontline operations within the National Park had to be temporarily closed and staff have been working from home remotely. While this resulted in changes in ways of working it did not have a material impact on internal financial control processes in the year as the Authority's core financial systems were able to support remote working.

As travel and social distancing measures are relaxed the Authority is looking at ways in which to remobilise services safely. The Authority has been working with key strategic partners including communities, businesses, local delivery bodies, national partners, and sectoral and non-governmental groups on the Authority's response as well as our plans for reopening and recovery.

Financial planning and sustainability

The Authority has been awarded Grant-in-aid funding for 2020/21 of £7.838 million, representing an increase of £137,000 from the prior year. The original agreed budget in March for 2020/21 projected a small overspend of £33,000 with a targeted breakeven position.

The outbreak of Covid-19 has had a significant impact on the organisation and its ability to deliver services. As an organisation who generates income in addition to receipt of grant-in-aid, this has an adverse impact on the organisation. In particular, services have been closed over the summer period, which represents an important period for the Authority in generating revenue. Consequently, in June 2020 the Board reported a budget shortfall of between £186,000 and £263,000. This is primarily due to the loss of income from chargeable activities, including rental income or car parking and camping revenue. The Authority has taken action to reduce cost base during the period of the pandemic and further work is underway to identify at further cost saving initiatives.

The Authority has requested additional financial support from the Scottish Government of £180,000 to fund the additional costs arising directly as a result of Covid-19 and the Scottish Government has demonstrated continued commitment to the Authority. Over the medium term, the Authority continues to work towards the objectives set out in the 5 year Corporate Plan (2018-23). Alongside the plan the Authority has three year financial projections. Following the outbreak of the pandemic, the Authority should review the assumptions contained within the medium term financial plan to assess the extent financial resources are in place to support its delivery. This should also inform any immediate decisions around cost management, ensuring that decision making retains a focus on the longer term strategic objectives of the Authority.

Action plan point -1

Appendices

Audit adjustments

Action plan and recommendations

Follow up of prior year recommendations

Audit fees and independence

Fraud arrangements

Communication of audit matters

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Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no material uncorrected misstatements to the financial statements arising during our audit.

The following misstatements arose during our audit and were adjusted for by Management.

[subject to completion of audit procedures – note additional proposed adjustment around Capital Grants to be updated]

Item		Dr (£'000)	(Cr) (£'000)	Description
1	Impairment	579		*Being adjustment to reflect valuation of PPE in year as an impairment rather than charge to revaluation reserve*
	General reserve	19		
	Revaluation reserve		(598)	
2	Staff costs		(202)	*Being adjustment to reflect the revised actuarial movement to account for the impact of the McCloud case on defined benefit pension obligations*
	Actuarial Gain		(1)	
	Pension liability	203		

During the course of our audit work we identified a number of disclosure adjustments required to the draft financial statements. The following are those adjustments that have been adjusted for in the updated draft accounts.

[subject to completion of audit procedures]

Item	Description	Adjusted
1	Annual governance statement	Minor disclosure amendments including further narrative on impact of Covid-19
2	Remuneration report	Minor changes to enhance disclosure information contained within the report
3	Performance report	Some changes arising during the course of the audit around clarification of performance information
4	Accounting policies	Valuation basis of PPE amended to reflect current value rather than fair value
5	Significant estimates and judgements	Estimation uncertainty disclosure added around the valuation of property, plant and equipment
6	Presentational adjustments	Presentational adjustments through Primary financial statements

Disclosure misstatements – uncorrected

The following disclosure misstatements have not been corrected by management. We do not consider these to be material to the accounts and Management have agreed to review during the preparation of next years financial statements:

Significant Judgements: The Authority currently disclose significant estimates and judgements within Note 1 to the financial statements. However per IAS 1 these should be distinction between material estimation and significant judgements. Furthermore, there is an opportunity to enhance the disclosure in line with IAS 1. Where a judgement is to be disclosed these should clearly define the judgement, how the judgement has been considered by management and the impact on the accounts. Where a estimation uncertainty is disclosed, this should be areas where there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year arising from the estimation. The board should disclose information to allow the reader to fully understand the nature of the estimation uncertainty and how assumptions may impact on the value of the asset / liability.

Accounting policies: Accounting policies do not explicitly refer to IFRS 15 and some of the description of the deferral of income is inconsistent with the requirements of the standard and out of date. In addition, the accounting policy for impairment does not define how impairment is considered in accordance with the methodology outlined within the FReM and IFRS 9. From our audit procedures performed we are satisfied that the recognition of income and expenditure is not materiality misstated and therefore do not consider the omission in accounting policies to be material.

Accounting policies: Opportunity to enhance accounting policy disclosures around Grant income, pension costs and trade payables to provide the reader greater understanding of the accounting treatment being adopted

We are satisfied that these are not material disclosure errors. Management has proposed that recommendations will be taken forward to future years financial statements.

External Audit Recommendations

We have set out below, based on our audit work undertaken in 2019/20, the one significant recommendation arising from our audit work.

Recommendation	Agreed management response
1. Financial plans Given the significant impact of Covid-19 on the Authority's services, the Authority should review the assumptions contained within the medium term financial forecasts underpinning the Corporate Plan, to assess the extent financial resources are in place to support its delivery. This should also inform any immediate decisions around cost management, ensuring that decision making retains a focus on the longer term strategic objectives of the Authority.	Management response: Action owner: Timescale for implementation:

Follow up of external audit recommendations

During our 2019/20 audit we did not identify any recommendations for management which would be of significant risk to warrant inclusion in this final report. During the year we have followed up on previous external audit recommendations. The results of this work is summarised below.

Pension scheme liabilities

As the initial IAS 19 valuation included within the draft accounts did not incorporate the impact of the McCloud/Sargeant case, the Authority has obtained a revised IAS 19 valuation from the scheme's actuary. This valuation increased the net liability by £349,000.
We are satisfied that following the adjustment (Appendix 2), the Authority has appropriately disclosed its share of the defined benefit pension schemes assets and liabilities within the financial statements in accordance with IAS 19.
In 2016, the Government announced that Public Sector Pension Schemes needed to review pension data which linked LGPS benefits to contracted-out employment and the State Pension. This is known as the Guaranteed Minimum Pension (GMP) data reconciliation review. The purpose of this review is to ensure that records held by the scheme and HMRC are correct. Where the data is incorrect then this could result in an overpayment or underpayment in pension. The treatment of overpayments has yet to be finalised by Scottish Ministers and the Authority has therefore excluded any potential impact from the IAS 19 defined benefit pension calculation. The Authority has considered the impact to be immaterial to the pension scheme as a whole, expected to be between 0.2% and 0.3% of scheme liabilities. We concur with Management's assessment and do not identify any material issues with the accounts

Ongoing

During 2019/20 the actuarial valuation required to revisited due to developments with the Government's response to the McCloud settlement meaning that the initial estimated liability would be less. It is important that the Authority, through the Pension Fund administrators and actuary have an understanding of likely events or circumstances that may impact on the fund.

Action owner:
Timescale for implementation:

Accountable Officer

We note that due to the timing of Board / Committee dates, the annual accounts were presented to the Board in advance of the Audit and Risk Committee. It is considered good practice that the Audit and Risk Committee would provide scrutiny of the financial statements prior to final consideration by the Board. We recommend that the Authority consider reviewing the schedule of meetings to allow the Audit and Risk Committee to review the financial statements for approval at the Board.

Follow up – Closed

The Authority reviewed the current governance and reporting arrangements supporting the accounts approval. The Authority concluded that due to restrictions in the timing of board / committee meetings and opportunity to scrutinise the accounts it was felt that the existing process remained appropriate.

Financial scenarios

The Authority will review medium term financial projections and consider these with the Board when shaping financial strategy.

Superseded by Action Plan Point 1

Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	8,790
Pooled Costs	2,040
Contribution to Audit Scotland costs	490
Contribution to Performance Audit and Best Value	-
2019/20 Fee	**11,320**

Fees for other services

Service	Fees £
We confirm we have received no non-audit fees for the 2019/20 external audit	Nil

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the ethical standards.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is alert to the possibility of fraud at the Authority.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relations to management override of controls.
- Leading a discussion with those charged of governance (for the Authority this is assumed to be the Audit and Risk Committee) on their view of fraud. Typically we do this when presenting our audit plan and in the form of management and those charged with governance questionnaires.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit.

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is the Authority's responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we work with the Authority to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at Loch Lomond and the Trossachs National Park Authority we will report to the Auditor General as required by Audit Scotland.

Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

This document, our Annual Report is issued prior to approval of the financial statements and presents key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern. **No matters on going concern identified.**	•	•
Views about the qualitative aspects of the Authority's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures. **Set out on page 9 and 10 of this report.**		•
Significant findings from the audit **None identified.**		•
Significant matters and issues arising during the audit and written representations that have been sought. **Letter of representation obtained. No significant matters and issues identified.**		•
Significant difficulties encountered during the audit **No difficulties encountered**.		•
Significant deficiencies in internal control identified during the audit **None identified**		•
Significant matters arising in connection with related parties **None identified**		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements **None identified**		•
Non-compliance with laws and regulations **None identified.**		•
Unadjusted misstatements and material disclosure omissions. **None identified**.		•
Expected modifications to the auditor's report, or emphasis of matter. **No modifications to the report.**		•

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